

DECEMBER 2009

INFORMATION

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Standard 7(a) Loan Guaranty Processing Center

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Citrus Heights, CA 95610
Phone: (916) 735-1960
ext. 4368
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or
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OR

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Fresno Servicing Center

Fresno, CA
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(559) 487-5803 Fax

Liquidation & Purchase Center

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6501 Sylvan Road
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*All SBA programs and
services are provided on
a nondiscriminatory basis.*

Important SBA Notices and Updates for Our Lenders

Dear Lender:

We are pleased lending activity has continued strong through November with 126 loans for \$40.2 million. This contrasts to 42 loans for \$10.5 million in November of 2008. Thank you and congratulations for your efforts in providing needed capital to Iowa's small businesses.

Please take note of the Information Notices attached to this month's newsletter. Most significant is SBA Information Notice 5000-1134 dated December 9, 2009 that is a reminder of the documentation requirements for SBA lenders and certified development companies regarding loans made under the American Recovery and Reinvestment Act (ARRA).

The certifications center on 3 themes. They are fee refunds for borrower who paid fees for loans funded under the ARRA, hiring of unauthorized aliens, and restriction of use of funds for casino, gambling, aquarium, zoo, golf course, or swimming pools.

If you are using the LIBOR rate for your 7(a) loans some technical corrections have been made to SOP 50 10 (5) (B). The online version of the SOP has these corrections which were made on November 5, 2009. For lenders with agricultural customers note the article on the recent change in the application of the alternative size standard to agricultural enterprises

- *Joseph M. Folsom, District Director*

Alternative Size Standards for 7(a) Loans Now Apply to Agriculture

Effective May 5, 2009, SBA regulations were amended to provide a new alternative size standard for 7(a) loans on a temporary basis. The temporary rule change was enacted to provide additional access to capital for small businesses and expires September 30, 2010.

The alternative size standard for 7(a) loans is as follows:

“Including its affiliates, tangible net worth not in excess of \$8.5 million, and average net income after Federal income taxes (excluding any carry-over losses) for the preceding two completed fiscal years not in excess of \$3.0 million.”

The regular size standards for most agricultural enterprises is \$750,000 in annual receipts, except for chicken egg production and cattle feed lots, which have higher size standards.

SBA did *not* apply the alternative size standards to agricultural enterprises until recently, when it issued Information Notice 5000-1130 on November 5, 2009 setting forth “technical corrections” to SOP 50 10(5)(B). That notice removed paragraphs limiting the size standard for agricultural enterprises to \$750,000.

The alternative size standards now apply without restriction to agricultural enterprises through September 30, 2010.

**HAPPY HOLIDAYS TO ALL OUR LENDING
AND RESOURCE PARTNERS!**

*We appreciate all you have done and all you continue to do
to help small businesses in Iowa. Have a great New Year!*





SBA Information Notice

TO:	All Employees	CONTROL NO.:	5000-1133
SUBJECT:	Calendar Year 2010 Schedule of 1502 Report & Payment due dates for 7(a) Loans.	EFFECTIVE:	12-7-2009

SCHEDULE OF PAYMENT DUE DATES

Paragraph 6 of SBA Form 1086, states that payments are due at the Fiscal and Transfer Agent (FTA) on the third **calendar** day of the month, or the next business day if the third is not a business day. The SBA allows a grace period of two business days after the due date. If FTA receives a regularly scheduled payment after the expiration of the grace period, a Late Penalty is assessed (subject to a maximum of \$5,000.00). Paragraph 6(c) of SBA Form 1086 describes the components of the Late Penalty. Lenders are billed for Late Penalties at the end of each month. Late Penalties are due to Colson (FTA) with the Lender's next monthly remittance.

Below is a schedule of **final** due dates, which includes the grace period of two business days for regularly scheduled payments. Payments received after the final due date will be subject to the Late Penalty.

	<u>2010</u>
JANUARY	6
FEBRUARY	5
MARCH	5
APRIL	7
MAY	5
JUNE	7
JULY	7
AUGUST	5
SEPTEMBER	8
OCTOBER	6
NOVEMBER	5
DECEMBER	7

Questions regarding this notice may be directed to Jihoon Kim at 202-205-6024. Questions concerning specific Late Penalties that have been charged to lenders should be directed to Larry Packer of Colson Services at (718) 315-5102 or e-mail to latepenalty@colsonservices.com.

Grady Hedgespeth
Director
Office of Financial Assistance



SBA Information Notice

TO: All SBA Employees

CONTROL NO.: 5000-1134

SUBJECT: Recovery Act Loan Documentation
Requirements and Restrictions

EFFECTIVE:
12/9/2009

The American Recovery and Reinvestment Act of 2009 (the “Recovery Act”) (P.L. 111-5) provided SBA with the ability to reduce certain loan fees and to increase certain loan guarantee percentages, subject to the requirements and restrictions outlined in the law. SBA has issued policy notices and Federal Register notices to advise its lending and resource partners of these additional requirements and restrictions and included them in SBA’s loan application systems.

This Notice serves as a reminder to SBA lenders and Certified Development Companies (CDCs) about documentation requirements for Recovery Act loans. SBA is committed to being fair and transparent with its lending partners, and is issuing this notice to remind lenders and CDCs of their Recovery Act obligations. Lenders and CDCs should be aware that early reviews by SBA’s Office of the Inspector General have found documentation related deficiencies when reviewing Recovery Act loans.

In order to properly document Recovery Act loan files, SBA reminds lenders and CDCs to make sure that their loan files contain specific documentation in the following areas:

1. **Borrower certification of hiring practices for 7(a) Loans with the Increased Guaranty:** Prior to first disbursement on a 7(a) loan with the increased guaranty, lenders must require that the Borrower and any Operating Company certify that they have not been determined by the Secretary of Homeland Security or the Attorney General to have engaged in a pattern or practice of hiring an alien, recruiting an alien or referring an alien for a fee for employment in the United States, knowing that the person is an unauthorized alien. This certification is in addition to the existing disclosure requirement on SBA Form 912, Statement of Personal History. (See SBA Policy Notice 5000-1098, effective March 16, 2009 and the notice published in the Federal Register at 74 FR 27199, 27200.) This certification is only required on loans with an increased guaranty and must be retained in the loan file.
2. **Reimbursement of Borrower Fees for 7(a) and 504 Loan Guarantees:** If borrowers had already paid a fee on eligible 7(a) loans approved by SBA on or after February 17, 2009 and before March 16, 2009, lenders were sent fee refunds from SBA, which they must use to reimburse borrowers. Likewise, if a borrower had already paid a CDC for the Processing Fee on eligible 504 loans approved by SBA on or after February 17, 2009 and before March 16, 2009, the CDC was sent a refund from SBA that must be used to reimburse the borrower. Lenders and CDCs must document borrower receipt of the refund and be prepared to produce such documentation to SBA upon request. (See SBA Policy Notice 5000-1097, effective March 16, 2009 and the notice published in the Federal Register at 74 FR 27196, 27198.) Appropriate forms of documentation regarding fee reimbursement may include wire transfers or cancelled checks. These documents must be included in the loan file.
3. **Allowable Uses of Recovery Act Funds:** The Recovery Act established that no funds could be used by any State or local government, or any private entity, for any casino or other gambling establishment, aquarium, zoo, golf course or swimming pool. SBA loan guarantees funded with Recovery Act funds may not be made available to businesses primarily engaged in these activities or to businesses that intend to use guaranteed loans for the acquisition, construction, renovation or other

purposes that include restricted uses. (See SBA Policy Notice 5000-1105, effective May 22, 2009, for further guidance on the restricted uses of Recovery Act funds, as well as a listing of NAICS codes for restricted businesses and activities.) Documentation for acceptable uses of Recovery Act funds includes the following items:

- a. **Certification that no funds will be used for a restricted use:** Lenders and CDCs must certify on the applicable eligibility questionnaires and checklists that no loan proceeds will be used for a restricted use. All applicable eligibility questionnaires and checklists for the 7(a) and 504 programs have been modified to include an additional statement to this effect and must be retained in the lender's or CDC's loan file.
- b. **Certification of uses for working capital funds:** If an applicant receives a working capital loan, prior to first disbursement, the lender must require the Borrower and any Operating Company to certify that no funds from the working capital loan will be used for restricted purposes. This certification must be retained in the lender's or CDC's loan file.
- c. **Credit memorandum and certification for projects with restricted uses:** If an applicant will receive a loan to acquire, construct or renovate an existing facility that also has a golf course or swimming pool, for example, then:
 - i. the lender or CDC must document in the credit memorandum that the use of proceeds does not include financing the restricted use and document the other resources that cover the financing of this component; and
 - ii. prior to first disbursement the lender or CDC must require the Borrower and any Operating Company to certify that alternate funding (which may come from the borrower's equity) has been obtained to pay the costs allocable to the acquisition, construction or renovation of the golf course or swimming pool.The credit memorandum and the certification must be retained in the lender's or CDC's loan file.

SBA urges all participants to ensure that their documentation of Recovery Act loans is complete and accurate. SBA will review Recovery Act loans carefully during the purchase process and in the course of lender oversight activities in order to ensure that the requirements set out in the law were fully met.

Questions concerning this Notice should be directed to the lender relations specialist in the local SBA field office. The local SBA field office may be found at www.sba.gov/localresources.

Grady Hedgespeth, Director
Office of Financial Assistance

SBA Lender Activity Report for NOVEMBER

LENDER NAME	LOCATION	#	AMOUNT	LENDER NAME	LOCATION	#	AMOUNT
BLACK HAWK ECON. DEV.	WATERLOO	5	\$3,647,000	SECURITY SAVINGS BANK	EAGLE GROVE	1	\$550,000
IOWA BUSINESS GROWTH CO.	JOHNSTON	5	\$2,166,000	BANKERS TRUST C	DES MOINES	1	\$515,000
NORTHWEST BANK & TRUST CO.	DAVENPORT	4	\$292,000	COMMUNITY 1ST CU	OTTUMWA	1	\$500,000
FIDELITY BANK & TRUST	DUBUQUE	4	\$115,000	SIOUXLAND ECON. DEV CORP.	SIOUX CITY	1	\$456,000
MIDWESTONE BANK	IOWA CITY	3	\$2,035,000	PRIMEBANK	LE MARS	1	\$450,000
WELLS FARGO BANK	IOWA	3	\$1,288,600	LIBERTY BANK, FSB	WEST DES MOINES	1	\$440,000
HILLS BANK AND TRUST CO.	HILLS	3	\$913,800	FIRST NATIONAL BANK	WAVERLY	1	\$400,000
FIRST CITIZENS NATIONAL BANK	MASON CITY	3	\$801,000	PRIMEBANK	LE MARS	1	\$247,500
WEST BANK	WDM	3	\$500,000	FIRST TRUST & SAVINGS BANK	ILLINOIS	1	\$145,000
NORTHWEST BANK	SPENCER	3	\$355,000	THE CLINTON NATIONAL BANK	CLINTON	1	\$94,600
FARMERS STATE BANK	MARION	3	\$310,000	DEWITT BANK & TRUST COMPANY	DE WITT	1	\$80,000
ECIA BUSINESS GROWTH INC.	DUBUQUE	2	\$2,555,000	FIRST NATIONAL BANK	AMES	1	\$65,000
FIRST AMERICAN BANK	WDM	2	\$2,491,000	THE FIRST NTL BANK OF AKRON	AKRON	1	\$40,000
COMMUNITY STATE BANK	TIPTON	2	\$460,000	FARMERS & MCHNTS SVGS BANK	MANCHESTER	1	\$37,100
LINCOLN SAVINGS BANK	CEDAR FALLS	2	\$228,300	AMERICAN BANK AND TRUST CO.	DAVENPORT	1	\$35,000
HERITAGE BANK	HOLSTEIN	2	\$119,600	BANK IOWA	ALTOONA	1	\$35,000
HEARTLAND BANK	SOMERS	2	\$70,000	COMMUNITY BANK	INDIANOLA	1	\$35,000
MANUFACTURERS BANK & TR.	FOREST CITY	2	\$70,000	FARMERS SAVINGS BANK	COLESBURG	1	\$35,000
FIRST CENTRAL STATE BANK	DEWITT	2	\$55,000	GREAT WESTERN BANK	IOWA	1	\$35,000
SUPERIOR FINANCIAL GROUP	CALIFORNIA	2	\$20,000	IOWA BANK	BELLEVUE	1	\$35,000
CEDAR RAPIDS BANK & TRUST CO	CEDAR RAPIDS	1	\$2,000,000	MOUND CITY BANK	WISCONSIN	1	\$35,000
BANK MIDWEST	SPIRIT LAKE	1	\$1,645,000	PEOPLES TRUST & SAVINGS BANK	CLIVE	1	\$35,000
FARMERS SVGS BANK & TRUST	TRAER	1	\$1,398,400	PINNACLE BANK	MARSHALLTOWN	1	\$35,000
PATRIOT BANK	BROOKLYN	1	\$1,320,000	QUAD CITY BANK AND TRUST CO	BETTENDORF	1	\$35,000
LIVE OAK BANKING COMPANY	NORTH CAROLINA	1	\$1,135,000	SAVINGS BANK	PRIMGHAR	1	\$35,000
AMES COMMUNITY BANK	AMES	1	\$860,000	SECURITY STATE BANK	ANAMOSA	1	\$35,000
HEARTLAND BANK	MARION	1	\$825,000	THE CITIZENS FIRST NTIL BANK	STORM LAKE	1	\$35,000
THE GARNAVILLO SAVINGS BANK	GARNAVILLO	1	\$760,500	TWO RIVERS BANK & TRUST	BURLINGTON	1	\$35,000
CORP FOR ECON DEV.	DES MOINES	1	\$727,000	DECORAH BANK & TRUST CO	DECORAH	1	\$32,300
EXCEL NATIONAL BANK	CALIFORNIA	1	\$631,300	DE WITT BANK & TRUST CO.	DE WITT	1	\$16,400
COMMUNITY STATE BANK	ANKENY	1	\$615,000	THE GRUNDY NATIONAL BANK	GRUNDY CENTER	1	\$8,200
KERNDT BROTHERS SVGS BANK	LANSING	1	\$550,000				

The following lenders were participant lenders in the SBA's 504 Loan Program in Iowa during the month of November

LENDER NAME	LOCATION	#	AMOUNT	LENDER NAME	LOCATION	#	AMOUNT
STATE CENTRAL BANK	KEOKUK	1	\$4,513,000	IOWA STATE BANK	SAC CITY	1	\$750,000
FIRST CITIZENS FINANCIAL	MASON CITY	1	\$1,700,000	SECURITY STATE BANK	MONTICELLO	1	\$686,608
FIRST NATIONAL BANK	CEDAR FALLS	1	\$1,050,000	HOUGHTON STATE BANK	RED OAK	1	\$650,000
WESTBANK	WDM	1	\$900,000	FIRST NATIONAL BANK	HAMPTON	1	\$650,000
BANKERS TRUST	CEDAR RAPIDS	1	\$900,000	BANKIOWA	CEDAR RAPIDS	1	\$554,500
HOMETOWN BANK	MINNESOTA	1	\$790,000	FIRST SECURITY STATE BANK	WATERLOO	1	\$383,500
COMMUNITY BANK	INDIANOLA	1	\$750,000	FIRST CENTRAL STATE BANK	LE CLAIRE	1	\$215,000